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20 October 1955

CURRENT INTELLIGENCE WEEKLY SUMMARY



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THE WEEK IN BRIEF

PART I

OF IMMEDIATE INTEREST

FOREIGN MINISTERS' CONFERENCE. Page 1

There seems to be little likelihood of any new Soviet moves toward German unity at the foreign ministers' meeting, and a member of the Soviet Presidium has cautioned against judging the success of the conference on this issue alone. The USSR will probably insist, as it has in the past, that establishment of a European security system is a primary prerequisite to German unification. With respect to European security, the USSR may accept some features of Western security plans for its own two-stage security program. [REDACTED]

EGYPT. Page 2

Egypt last week appeared to be well on the way to regaining its dominant position among the Arab powers which it lost last spring as a result of the Turkish-Iraqi pact and its own subsequent failure to secure a military alignment with Saudi Arabia. The Nasr government, moreover, continues to exploit the arms agreement with the Soviet bloc not only to strengthen Egypt's position among the other Arab powers, but also to establish Egypt as a key neutral between East and West. Among developments during the past week were: (1) The Arab foreign ministers, concluding a conference in Cairo, for the most part expressed themselves in favor of doing business with the USSR; (2) the USSR and Egypt announced a Soviet offer of assistance in building the Aswan dam; and (3) quasi-official Egyptian sources spread rumors that a second Asian-African conference would be held during the coming year in Cairo. [REDACTED]

SAAR REFERENDUM. Page 4

Most observers expect that the Saar statute, which would give the Saar territory "European" status, will be rejected when the population of the area goes to the polls on 23 October. Paris has publicly insisted that rejection of the statute will mean automatic return of the territory to French control. The German government is reported to favor an interim solution under which the West European Union Council would retain control over the area in case the statute is rejected. The British Foreign Office is considering a similar plan. [REDACTED]

VIETNAM REFERENDUM Page 5

A heavy majority in favor of Premier Diem is considered certain in the 23 October referendum to choose between Diem and Bao Dai as chief of state. [REDACTED]

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PART II**NOTES AND COMMENTS**

The Soviet Scene: The spotlight has temporarily switched from Moscow to the Crimea, where Secretary Khrushchev and Premier Bulganin have been vacationing. Recently most of the other top leaders of party, government, and armed forces joined them, ostensibly to attend a celebration honoring the city of Sevastopol, but probably to take part in policy conferences. [] Page 1

USSR Tries to Mollify French on North African Issue: Since the French expressed their resentment of the Soviet vote on the Algerian issue in the UN by canceling the Faure-Pinay trip to Moscow, the USSR has been trying to heal the breach. The USSR has emphasized that it is interested in having the French retain their position in North Africa, because it learned in Indochina that when the French move out of an area the Americans move in. [] Page 2 25X1

French Morocco: The four-member Council of the Throne installed in Rabat on 17 October is not likely to find a way out of the two-year-old Moroccan impasse. Istiqlal, the foremost nationalist organization, refuses to participate in the government now being formed, thereby depriving it of a truly representative character. The military situation in north-east Morocco remains grave. [] Page 3 25X1

Premier Faure Wins Respite: The French National Assembly's 308-254 vote of 18 October accepting the government's Algerian program probably assures Premier Faure's tenure through the Geneva conference. However, he no longer has the confidence of the majority of the deputies. [] Page 4

Israel's Political Situation: The delay by the Israeli parliament in accepting the coalition Prime Minister-designate Ben-Gurion has proposed as the basis of his government offers leaders of the dominant Mapai labor party an opportunity to continue negotiations in an attempt to form a more pro-Western cabinet. [] Page 4 25X1

Afghan-Pakistani Dispute: Despite previous Afghan threats, there were no disturbances on 14 October when Pakistan merged the Pushtoon areas into a single province with West Pakistan. [] Page 5

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USSR Plans Long-Range Flights to Antarctica: Soviet delegates to a conference for the International Geophysical Year (1957-1958) have informally revealed plans to establish two routes for regular flights to the Soviet Antarctic base on Knox Coast. [REDACTED] Page 7 25X1

Laos: The talks in Rangoon between Premier Katay and Prince Souphannouvong, leader of the Pathet Lao, concluded on 13 October without achieving any significant progress toward a settlement. The Pathets, however, successfully avoided a final break and apparently are in a good position to prolong further the inconclusive negotiations which first began between the two parties last January. [REDACTED] Page 9 25X1

Leading Indonesian Parties Maneuver for Political Allies: The Indonesian National Party's lead over the Masjumi in unofficial election returns has been reduced to less than one percent as a result of heavy Masjumi majorities in islands other than Java. The major Moslem parties are discussing means of strengthening their position, while the right and left wings of the National Party are fighting for party leadership. If the two major Moslem parties form a united front, they could control any cabinet formed together with the Nationalists. [REDACTED] Page 10 25X1

Satellite Agricultural Outlook: Agricultural production in the Eastern European Satellites should be better this year than in any year since 1951, even though the crops can only be described as fair. Such improvement as has occurred is due chiefly to somewhat more favorable weather, and does not indicate substantial progress in solving agricultural problems. [REDACTED] Page 10 25X1
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PART III

PATTERNS AND PERSPECTIVES

IMPLICATIONS OF RECENT SOVIET POLICIES IN THE MIDDLE EAST. Page 1

Recent events have made the Middle East of foremost importance in East-West relations and a subject for discussion at the foreign ministers' conference. Moscow's decision to supply Middle East states with arms and Iran's adherence to the Western-sponsored "northern tier" defense arrangement alter the balance of power in the area. [REDACTED]

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SATELLITES ACT TO IMPROVE RELATIONS WITH UNITED STATES . . . Page 3

Since the Geneva conference, the European Satellites have demonstrated a strong interest in improving diplomatic, cultural and economic relations with the West, and particularly with the United States. At the same time, they have publicly taken the position that the United States should reciprocate these gestures by moderating its "antagonistic" policy toward the Soviet bloc. [REDACTED]

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INDIA FACES PROBLEMS IN REORGANIZING STATES ALONG LINGUISTIC LINES. Page 5

The proposed reorganization of the Indian states along linguistic lines will create such legal and administrative problems for the government that New Delhi will probably create only a few states in the coming year and postpone the complete reorganization until after the national elections of December 1956. [REDACTED]

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****20 October 1955****PART I****OF IMMEDIATE INTEREST****FOREIGN MINISTERS' CONFERENCE**

Soviet propaganda and public statements of late have merely reiterated the Soviet position on Germany and European security enunciated at the summit meeting. According to Moscow, West German membership in NATO and the unlikelihood that NATO can be dissolved at this time make German unity at present impossible.

This line, most recently set forth by Presidium member Suslov in Berlin, includes the argument that the success of the forthcoming foreign ministers' conference should not be judged on this issue. Party Secretary Khrushchev, in a recent interview with Canadian foreign minister Pearson, said it was dangerous enough for two thirds of Germany to be in NATO; and asked, "How could the Soviet Union accept three thirds of Germany in NATO?" On these grounds, Foreign Minister Molotov will presumably argue at Geneva that there is no point in discussing such detailed unification questions as German elections.

The USSR will probably continue to argue that German unity should be discussed by the Germans themselves, and in line with that insist that a prerequisite to unity is an East-West German rapprochement, beginning with co-operation in the economic and cultural fields.

There seems little likelihood of any new Soviet offers for German unity or free all-German elections at the foreign

ministers' meeting. In the past the USSR has professed support for free elections, even with international supervision, but has failed to make a specific enough offer to convince the West of its sincerity.

Soviet leaders hold that the primary prerequisite to German unification is the establishment of a European security system which, by eventually replacing NATO, would remove the major obstacle to German unity. The West has consistently held that to be acceptable, the security system must be based on a united Germany.

At the summit conference the Soviet Union proposed a two-stage security plan. The first stage was new and called for an agreement between NATO and the Warsaw pact states not to use force, to consult if any threat to the peace arose, and to make no increase in the size of armed forces stationed in other European states. During the first stage, existing commitments to military blocs need not be abandoned. In the second stage, however, the full security organization, first proposed in February 1954, would be set up and would replace both NATO and the Warsaw pact.

The USSR at that time sought agreement to the entire plan, including the fixing of a date two or three years hence when the second stage would go into effect. Moscow also made it plain that an ultimate

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objective of the security plan was the withdrawal of all foreign troops from Europe.

The USSR later in the conference offered a proposal under which most of the features of the first stage would be adopted without any commitment to the second stage or any change in the status of NATO and the Warsaw pact. This step would serve the minimum Soviet objective of deepening the freeze on the split of Europe.

More is likely to be heard about these Soviet plans, as Moscow seeks to get agreement on the principles of its program as a step toward an all-embracing security plan.

The USSR has reacted sharply to reports that the West is planning to offer guarantees against any attack by a united Germany incorporated in NATO. Khrushchev told the Canadian foreign minister contemptuously that security guarantees are only for "small

nations" and that furthermore the USSR could not put any faith in assurances by the three principal Western allies, since all of them harbor aggressive intentions against the USSR.

At the summit conference, however, the USSR did express interest in Eden's proposal for a five-power security pact, suggesting that some other European powers should be included at the start with still others added gradually thereafter.

The USSR can be expected to adopt gradually some of the features of security plans put forward by the West. One might be the British suggestion for the creation of a European zone where troops would be kept within agreed limitations and perhaps under international inspection. The USSR might offer a similar plan limited to East and West German forces, or perhaps including all troops in Germany.

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EGYPT

Egypt last week appeared to be well on the way to regaining its dominant position among the Arab powers which it lost last spring as a result of the Turkish-Iraqi pact and its own subsequent failure to secure a military alignment with Saudi Arabia. The Nasr government, moreover, continued to exploit the arms agreement with the Soviet bloc not only to strengthen Egypt's position among the other Arab powers, but also to establish Egypt

as a key neutral between East and West.

Among developments during the past week were: (1) The Arab foreign ministers, concluding a conference in Cairo, for the most part expressed themselves in favor of doing business with the USSR; (2) the USSR and Egypt announced a Soviet offer of assistance in building the Aswan dam; and (3) quasi-official Egyptian sources encouraged rumors that a second

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Asian-African conference would be held during the coming year in Cairo. (See also Part III, p. 1.)

Aswan High Dam

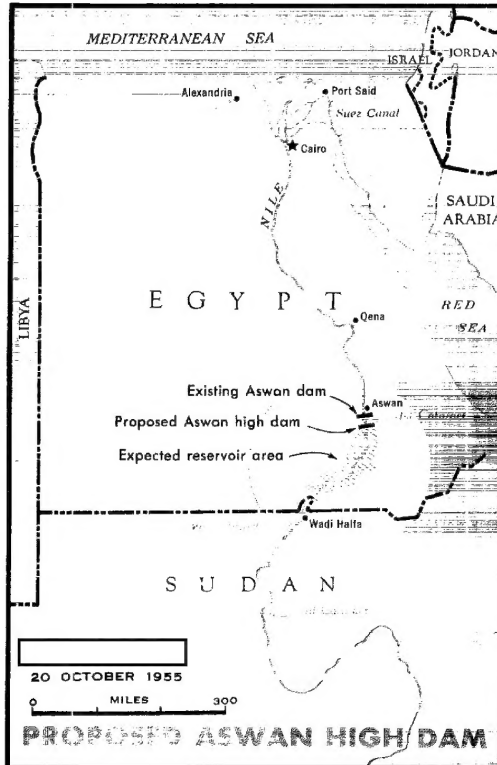
For some time it has been apparent that the USSR was interested in participating in at least some phases of Egypt's TVA-like 1.3-billion-dollar Sadd-el-Asli Project.

Following the public announcement of the Soviet offer to build the Aswan high dam, the Egyptian ambassador in Washington said that the USSR had suggested a 30-year loan for an unspecified amount at 2-percent interest payable in Egyptian cotton and rice. The estimated cost of the dam is approximately \$480,000,000. Equipment worth \$275,000,000 would have to be imported and Egypt therefore would need this amount in foreign currency. By providing equipment and technical assistance the Soviet Union can create at Aswan an enormous monument to Soviet industry in the Middle East.

The driving ambition of the Nasr regime to construct this project, and the frustrations it has experienced in trying to obtain Western financing, provide an ideal opportunity for Soviet exploitation. From the Egyptian point of view, it would be difficult to refuse an attractive Soviet offer, especially since it would be the result of earlier Egyptian initiative.

Asian-African Conference

In the past two weeks both Radio Cairo and the Egyptian newspaper Al Ahram have



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stated that most of the 29 countries which met at Bandung consider Cairo the appropriate location for another Asian-African conference. Both the Cairo and Arab Jerusalem radios have referred to the "coming conference," and the Egyptian cabinet has reportedly agreed to convoke the next meeting in Cairo in November 1956.

However, of the five Colombo powers--Burma, Ceylon, India, Indonesia, and Pakistan --which sponsored the conference in Bandung last April and which were made responsible for arranging subsequent meetings, only Ceylon is reported to have shown interest in another meeting. The Indonesian foreign minister said last week that Ceylon's Prime Minister Kotelawala had written Nasr suggesting a conference in Cairo in 1956.

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Reports on Ceylon's attitude have been conflicting, however. The London Times of 19 September stated that Kotelawala had suggested another meeting of the Colombo powers as an alternative to a second Asian-African conference. According to the American chargé in Colombo, the Ceylonese government indicated on 5 October that it would try to have the next Asian-African meeting in Colombo if the troubled situation in the Arab area did not make Cairo a suitable place.

The other Colombo powers are apparently indifferent at present to suggestions for

another Asian-African meeting. Indonesia's foreign minister has stated emphatically that Kotelawala, in writing Nasr about another gathering, had acted on his own initiative and without consulting Indonesia. The Indian chargé in Cairo said last week that he knew of no approaches made on this subject, and commented that he saw no useful purpose in a new conference at this time since the Asian-African bloc was already co-ordinating its efforts effectively in the UN in the spirit of Bandung.

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SAAR REFERENDUM

Most observers expect that the Saar statute will be rejected in the referendum scheduled for 23 October. In voting against the statute, the Saarlanders would be rejecting "European" status under which they would have local autonomy, while all foreign and defense matters would be controlled by the Western European Union (WEU).

Spokesmen for the French government, which apparently has not given up hope for the statute, profess to believe that the still-undecided vote

can swing the referendum favorably.

On the other hand, a West German Foreign Ministry official has returned from a survey in the Saar with the impression that a "sinking ship" atmosphere prevails, and that the pro-French Saar premier, Johannes Hoffmann, is being deserted by his former political allies in the government.

The German Saarbund, a West German organization campaigning against the statute, publicly demanded on 18 October

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that rejection of the statute be followed not by reimposition of French control, but by an interim solution provided by the WEU, with the pro-German parties in the Saar retaining their freedom and legal status. This is reported to be the private position of Adenauer's Christian Democratic Union and is similar to a plan being considered by the British Foreign Office. Paris, however, has publicly insisted that rejection of the statute will mean

automatic return of the territory to French control.

The WEU Council, meanwhile, has decided to retain control of the Saar in any event for the period it considers necessary for verifying the vote. It has also decided to leave open for the time being the question of the extent of duties of the WEU commission supervising the referendum so that it can make use of the commission in a flexible manner if emergencies arise.

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VIETNAM REFERENDUM

The Diem government is confidently proceeding with preparations for the referendum on 23 October to depose Bao Dai, disdainful of last-ditch efforts by the dissident Vietnamese clique in Paris to thwart this move. All Vietnamese over 18 registered in the recent census will be eligible to cast a secret ballot choosing between Diem and Bao Dai for the post of chief of state. A decision favorable to Diem is considered certain.

In Paris, Bao Dai announced on 18 October that he was dismissing Diem from office to prevent the latter's "dictatorial regime" from leading the Vietnamese further "along a path which can lead only to division, war, and possibly world-wide conflict." Earlier, on 13 October, Bao Dai appealed to Britain, France, the United States, Russia, and India to refrain from supporting Diem's referendum action. It also appears that Bao Dai will shortly appoint a "government-in-exile," drawing from the ample ranks of disgruntled

Vietnamese politicians in France. The Vietnamese government has unofficially warned that if France does not resist such a move on Bao Dai's part, it will be considered a "hostile act."

These "paper actions" by the chief of state will not deter Diem's hand, but are well suited for utilization by the Viet Minh in its continuing campaign to overthrow the premier. The Viet Minh has labeled the referendum plan a "farce" and has called on all Vietnamese to join with the "Fatherland Front" in opposing it.

The referendum is the first move of the three-step program to put the government on a solid legal and popular base. It will be followed by adoption of a constitution and establishment of a representative assembly. Diem's purpose is not only to silence internal critics of his one-man rule but to parry international pressure for observance of the Geneva unification schedule.

Faced with an impasse in attempts to open formal military

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talks with the French in Paris, Diem has recalled his ministerial mission to assist in the fast-changing political situation at home. On the matter of negotiations, each side accuses the other of "stalling," although it appears that stiff bargaining terms of each party

actually precluded early agreement. The French Expeditionary Corps is now down to 37,500, and, according to its commander, it will be down to 30,000 by December. He reports continuing pressure from Paris for the return of technical personnel.

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PART II

NOTES AND COMMENTSThe Soviet Scene

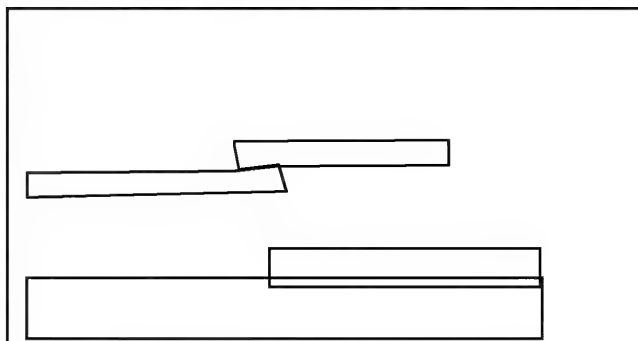
The spotlight has temporarily switched from Moscow to the Crimea, where party secretary Khrushchev and Premier Bulganin have been combining conferences and public appearances with a month-long vacation. Recently they were joined by First Deputy Premier Mikoyan (returning from his vacation in Yugoslavia), by Minister of State Farms I. A. Benediktov, and by V. V. Matskevich, who on 17 October was appointed minister of agriculture, filling a post left vacant for six months. Matskevich, as deputy minister of agriculture, headed the Soviet farm delegation that toured the United States this summer. American expert Roswell Garst spent a full day in the Crimea discussing the Soviet program to expand corn production. Garst also became the first known foreigner to be introduced to a member of Khrushchev's family, when he dined with Khrushchev's daughter during his Crimean sojourn.

The agricultural experts having departed, Marshal Zhukov, Fleet Admiral Kuznetsov, and Ukrainian party boss Kirichenko were next to arrive. On 13 October this new group, along with Khrushchev, Bulganin and Mikoyan, inspected the Black Sea Fleet at Sevastopol. Later the same day, K. E. Voroshilov, chairman of the Presidium of the Supreme Soviet, joined the group in order to present the Order of the Red Banner to the city of Sevastopol in commemoration of the 100th anniversary of its defense in the Crimean War and similar defensive feats during World War II.

The anniversary ceremonies provided Voroshilov with the opportunity to boast of the various steps the USSR has undertaken to preserve the Geneva spirit, and supplied Khrushchev with a convenient forum for thumping, in typical fashion, for more industrial and agricultural output and less complacency.

The gathering of most of the top leaders of party, government, and armed forces suggests that the Sevastopol celebration was merely an adjunct to policy conferences. In addition, it is noteworthy that Khrushchev received considerable personal publicity in connection with the Sevastopol ceremonies, and that he prefaced his remarks there with the statement that he was speaking not only in the name of the party central committee but also in the name of the party presidium. This is the first suggestion that Khrushchev may be working to alter the collegial appearance of the top party organization.

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Meanwhile, from Moscow-- where the everyday workings of

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the Soviet government have apparently been under the experienced hand of L. M. Kaganovich--there were suggestions that new ideological pronouncements may be forthcoming, perhaps at the 20th Party Congress in February. According to the American military attaché in Moscow, the same Kommunist editorial which slapped Molotov also called for a new official party history, covering the period since the publication of the so-called Short Course in 1938.

Another significant break with the old regime was inaugurated this month: Soviet television viewers began to see the results of the exchange of television newsreels with the United States. According to the Literary Gazette, the first program using American subject matter included the recent big fire at Whiting, Indiana, the lumberjack celebration at Cherry Springs, Pennsylvania, the floods in the eastern United States, water skiing at Lakeland, Florida, and cowboy rodeos.

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USSR Tries to Mollify French
On North African Issue

Since the French expressed their resentment of the Soviet vote on the Algerian issue in the UN by canceling the Faure-Pinay trip to Moscow, the USSR has been trying to heal the breach without renouncing its anticolonial policy.

A Soviet diplomat recently told a French official that Faure had been ill-advised to cancel his visit, since he would have returned from Moscow "not dissatisfied." By way of clarification, he said the North African issue could have been discussed in Moscow. He said the USSR was interested in having the French retain their position in North Africa, having learned in Indochina that when the French move out of an area the Americans move in.

The Soviet diplomat called particular attention to Khrushchev's statement on 3 October that the solution of the North African problem can be found by taking into consideration the national interests of the peoples of the French Union. Khrushchev also emphasized Soviet sympathy for efforts toward national liberation.

French Communist leader Thorez in a speech on 10 October called for negotiation with the national leaders in North Africa to achieve the independence of Morocco, Algeria, and Tunisia within the French Union, noting that the right to leave the union carries no obligation to do so. He also stated that France had lost its influence in Indochina to the United States because in 1946 it refused Ho Chi Minh's offer to have Vietnam become a member of the French Union.

Although the Soviet Union will continue to preach the national liberation of colonial people, it will probably steer clear of any direct support of the North African nationalists and, like Ho, give lip service to the French Union while watching it fall apart. Moscow probably considers that North African events are moving at such a pace that open Soviet support for the nationalist movements is superfluous and would unnecessarily increase French distrust of Soviet "conciliation"--a policy enjoying top Soviet priority at present.

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The Soviet Union, however, is by no means willing to see the French indefinitely maintain their position in North Africa and co-operate with American base programs. It may antic-

ipate that one effect of Orbit arms shipments to Egypt will be the eventual supplying of second-hand Egyptian arms to the North African nationalists, a development fully in line with Soviet interests. [REDACTED]

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French Morocco

The 4-member Council of the Throne installed in Rabat on 17 August to serve in the absence of a sultan is not likely to lessen tension or solve the two-year-old Moroccan impasse.

The foremost Moroccan nationalist organization, Istiqlal, considers the council as formed a violation of the agreement reached with Premier Faure at Aix-les Bains in August, and refuses to participate in the government now being formed, thereby depriving it of a truly representative character. Under the Aix-les-Bains agreement, the Throne Council was to have only one member instead of two in addition to the grand vizier and a representative of former sultan Mohamed ben Youssef.

Despite Istiqlal's initial negative reaction, a protectorates ministry spokesman in Paris has voiced optimism that the party will participate in the government after it has consulted with Ben Youssef. The former sultan is now expected to arrive in France from his enforced exile on Madagascar in about a month.

The much smaller and less important nationalist party, the Democratic Party of Independence, is expected to join the new government. This party,

which was not banned in 1952, as was Istiqlal, is reported to be swamped with membership applications, all from prospective applicants for government posts.

The organization of reactionary settlers, the Presence Francaise, has denounced the establishment of the Throne Council as a violation of its much-publicized agreement with Resident General Bover de Latour. [REDACTED]

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Meanwhile, the military situation in northeast Morocco remains grave. France has accused Spain of permitting Berber tribesmen to launch attacks from Spanish Morocco, claiming that as late as 14 October, French troops were fired on from across the border. France has also implied that the Spanish zone has furnished the attackers with recruits, equipment, supplies, and medical facilities.

Information released by the French regarding captured or surrendered arms indicates that the tribesmen are surprisingly well equipped. Many of the captured arms have been identified as part of those taken by tribesmen in their initial attack on French military outposts in early October. [REDACTED]

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Premier Faure Wins Respite

The French National Assembly's 308-254 vote of 18 October accepting the government's Algerian program probably assures Premier Faure's tenure through the Geneva conference. However, he no longer has the confidence of the majority of the deputies, many of whom stressed their votes were prompted by fear of a cabinet crisis and its threat to France's international position.

The vote more nearly approached Faure's original majority than did the approval on 9 October of his Moroccan policy. Most of the conservative deputies who deserted him on the earlier decision backed him on 18 October, apparently largely because of Foreign Minister Pinay's urging. Over three quarters of the Gaullist Social Republicans persisted in their opposition, however, and both Communist and Socialist blocs voted against.

Faure, with the Geneva meeting impending, will now probably be unable to supervise closely the implementation of his North African reform programs. In any event, he is unlikely to move rapidly enough to satisfy his leftist critics, and his right-wing opponents will be eager to exploit nationalist obstructionism in both Morocco and Algeria.

Since he no longer commands a majority in the assembly, Faure's downfall is only a matter of time. Any issue could be a pretext, and two touchy problems are in prospect: he will soon be obliged to seek assembly approval of additional budgetary funds, and large-scale labor unrest is developing.

Nevertheless, many deputies are still reluctant to provoke a government crisis which might hasten elections or open the way for a premier less acceptable generally than Faure. The left does not want to assume responsibility so late in the life of the present assembly, and the right is unwilling to see Mendes-France either become premier himself or be in a position to attack a government more conservative than Faure's.

Elections must under present law be held by June 1956. Should Faure fall, the difficulty in obtaining assembly approval of a new premier might result in an impasse which would force an earlier dissolution of the assembly. Furthermore, there is general dissatisfaction with the current electoral law, which most parties want to alter, although for different reasons. The parties also want time to form electoral alliances, and the winter months are traditionally considered unsuitable for elections.

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Israel's Political Situation

The delay by the Israeli parliament in accepting the coalition Prime Minister-designate Ben-Gurion has proposed as the basis of his government offers leaders of the dominant

Mapai labor party an opportunity to continue negotiations in an attempt to form a more pro-Western cabinet. The delay has been caused by Ben-Gurion's illness, which has prevented him

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presenting his government to parliament. In the meantime, the caretaker government of Prime Minister Sharett continues to administer the country.

Ben-Gurion's coalition consists of the Mapai, two leftist labor groups, and a rightist liberal party. The three labor parties generally agree on economic issues, but differ on foreign policy.

These differences apparently have not been reduced despite the grave situation Israel faces as a result of the Egyptian-Soviet bloc arms deals. While Israeli officials seek additional arms and security guarantees from the West, particularly the United States, spokesmen for the two leftist labor parties declare that Israel should seek arms aid from the Soviet bloc, follow a policy of neutrality, and not form any alliance with the United States.

A coalition with such differing opinions probably cannot function smoothly during the current critical period. American diplomats believe Mapai is disturbed by its partnership with the left. The reprieve offered by Ben-Gurion's illness may, therefore, be used by Israeli leaders to change the complexion of the coalition.

Israel's continued pressure for Western military aid may require bringing the rightist General Zionist Party into the coalition to offset the neutralist policies of the leftist labor parties. Sharett, according to American diplomats, realizes that the leftist parties are likely to oppose attempts to obtain military assistance from the United States. The General Zionists have attacked Sharett less frequently than Ben-Gurion, and should the latter resign because of ill-health, conditions might be favorable for General Zionist participation in a coalition under Sharett.

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Afghan-Pakistani Dispute

Despite previous Afghan threats, there were no disturbances on 14 October when Pakistan merged the Pushtoon areas into a "one-unit" province of West Pakistan.

The Afghan chargé in Karachi was recalled in protest and Pakistan in turn withdrew its ambassador from Kabul, but diplomatic relations between the two countries continue.

Afghanistan continues to seek Western support for its demands for an independent Pushtoonistan, but activities of Afghan cabinet ministers in Czechoslovakia, Western Europe, and Egypt as well as at home suggest that Kabul may be primarily interested in extracting additional economic and political aid from both the United States and the Soviet bloc, while maintaining its policy of neutrality.

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USSR Plans Long-Range
Flights to Antarctica

Soviet delegates to a conference of the Special Committee for the International Geophysical Year (1957-1958), held in Brussels from 8 to 14 September 1955, informally revealed plans to establish two routes for regular flights to the Soviet Antarctic base on Knox Coast. One route would run over the African continent, the other via India and Australia.

Diplomatic negotiations are under way to obtain rights to operate Soviet four-engine aircraft of unspecified types over Turkey, Egypt, Kenya, the Union of South Africa, India and Australia, and to land at Singapore. No other intermediate layover points have been indicated.

The entire air operation will be under I. T. Spirin, the leading Soviet Arctic navigator, whose experiences in polar navigation date back to the Papanin expedition of 1937, and who is now professor of polar navigation in the Voroshilov Military Air Academy.

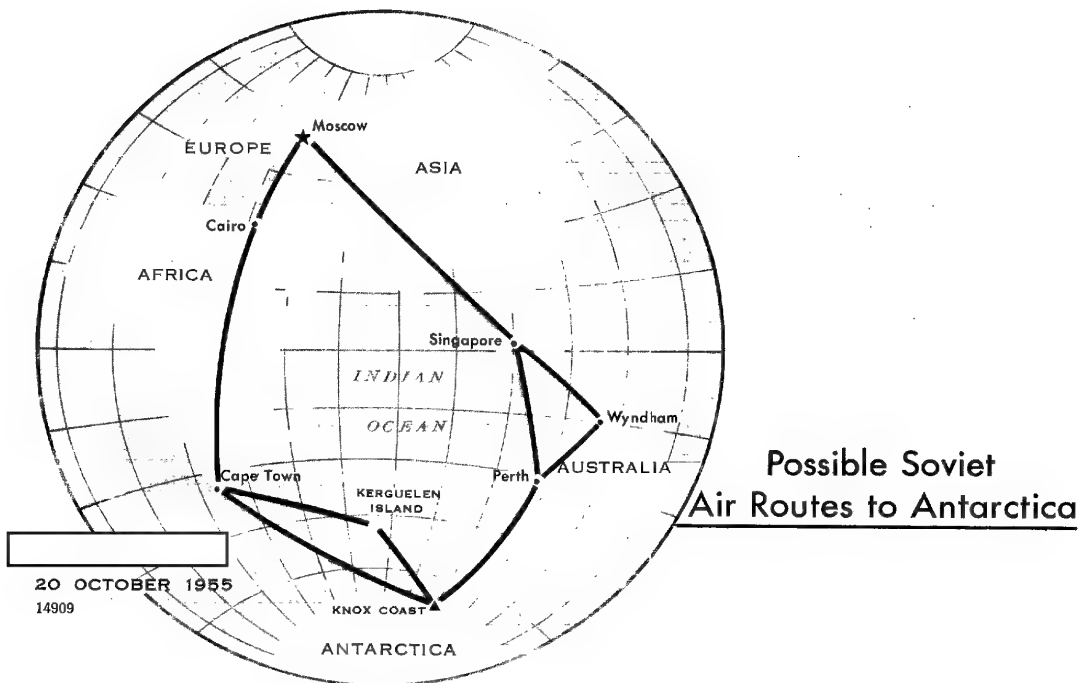
Flights to the Antarctic would permit the USSR to complement polar flying experience gained in the Arctic and give Soviet air crews their first transoceanic experience. The world-wide scientific endeavor in the Antarctic would afford the USSR an opportunity to conduct intercontinental flights without inviting criticism of war-gaming. It is expected that the aircraft used would

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be only nominally civilian, since the USSR has no four-engine civil transport.

Diplomatic hurdles will be encountered in obtaining air rights and landing privileges, since the USSR is not a member of the International Civil Aviation Organization (ICAO). Soviet efforts, first at the Antarctic conference in Paris in July 1955 and again in Brussels, to establish the principle of exchange use of landing facilities by promoting a resolution on mutual exchange use of air bases, ports, etc., on or near Antarctica, may have been in anticipation of these difficulties.

Failure to establish this principle, however, probably would not deter the Soviet delegates from making persuasive use of the arguments that the flights will be undertaken by civil aircraft and will be engaged solely in a peaceful

world-wide scientific mission in the interest of all mankind.

Should the USSR join ICAO, which would oblige the USSR to permit other nations to conduct civil air flights in the USSR, the problem of air rights and landing privileges would be eliminated. At present the USSR appears more interested in joining ICAO than it has in the past.

The establishment of air routes from Moscow to the Knox Coast involves air distances of about 9,000 nautical miles. Routes may finally be decided on the basis of logistic considerations, propaganda advantages and diplomatic complexities.

The African-Indian Ocean route has the advantage of the shortest ocean legs, but it would require clearances from Turkey, Egypt, Anglo-Egyptian

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Sudan, United Kingdom, Belgium, and the Union of South Africa. The ocean hop from Cape Town could be reduced by 1,000 nautical miles if French clearance to land at Kerguelen Island were obtained. The India-Singapore-Australia route would offer some

propaganda advantages, and possibly lesser diplomatic complexities. This route could be complicated, however, by British and Australian refusal of air and facility rights, in which case a long ocean hop would be required. [REDACTED]
(Prepared by ORR)

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Laos

The talks in Rangoon between Premier Katay and Prince Souphannouvong, leader of the Pathet Lao, concluded on 13 October without achieving any significant progress toward a settlement. The Pathets, however, successfully avoided a final break and apparently are in a good position to prolong further the inconclusive negotiations which first began between the two parties last January in northern Laos.

Discussions regarding the vital issues of restoration of government control over the northern provinces of Sam Neua and Phong Saly and Pathet participation in national elections were unproductive, despite fresh concessions offered by Katay. Lack of achievement notwithstanding, Katay came away from Rangoon impressed with Souphanouvong's cordiality and professing to believe that a settlement with the Pathets is still possible, although not probable.

The Indian chairman of the International Control Commission is even more optimistic. He has stated that the Rangoon

meeting was "65-percent successful" and is pressing for an immediate resumption of talks in Vientiane. [REDACTED]

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The chief result of the Rangoon talks is that the Pathets stalled any settlement while escaping the onus of causing a breakdown in negotiations, and also gained prestige by meeting on a virtually equal footing with the government in a neutral country. Katay has indicated a willingness to extend the deadline for agreement on national elections from 10 to 31 October, and the Indian control commission chairman apparently favors an extension to 12 November as proposed by the Pathets.

It remains clearly apparent that the Communists have no intention of giving up their toehold in Laos in the foreseeable future except on terms which would greatly facilitate the expansion of their influence. [REDACTED]

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Leading Indonesian Parties Maneuver for Political Allies

The Indonesian National Party's lead over the Masjumi in unofficial election returns has been reduced to less than

one percent. The change in relative strengths is the result of heavy Masjumi majorities in areas other than Java.

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Parliamentary seats are so allocated in Indonesia that the Masjumi's majority in non-Javanese areas may ensure it a number of seats equal to or greater than that of the National Party.

Latest returns show the National Party with 25.0 percent of the total vote, the Masjumi with 24.9 percent, the Nahdlatul Ulama with 21.4, and the Communist Party with 19.6. Minor parties account for the remainder.

Returns are still coming in from remote areas, and preparations are getting under way for conducting elections in areas which were bypassed on 29 September because of dissidence or lack of preparations.

Both the National Party and the Masjumi apparently are trying to line up political allies. A Masjumi spokesman has told the American ambassador that discussions toward close co-operation among Moslem parties are "actively under way." These parties include the Masjumi, the Nahdlatul Ulama,

the Indonesian Islamic League, and probably any other small Moslem organizations which survived the elections.

A report that the "nationalist political parties" are considering a merger may mean that the National Party hopes to gather around itself small nonreligious parties.

The composition of the next cabinet will be significantly influenced by the outcome of the Moslem party discussions and by the results of a reported factional struggle within the National Party for party leadership. The National Party struggle is between right and left factions and the outcome will probably determine the extent of subsequent co-operation with the Masjumi. Should the left faction, which reportedly is favored by President Sukarno, win party leadership, formation of a Nationalist-Masjumi coalition would become much more difficult. Should the two major Moslem parties develop a united front, they could dominate any three-party cabinet formed with the Nationalists.

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Satellite Agricultural Outlook

Agricultural production in the Eastern European Satellites should be better this year than in any year since 1951, even though the crops can only be described as fair. Such improvement as has occurred is due chiefly to somewhat more favorable weather and does not indicate substantial progress in solving agricultural problems. While the Satellites can expect a food supply situation slightly better than that of 1954-55, they will still have to import meat, fats, and oils,

and--except for Rumania and Bulgaria--will continue to be net importers of grain.

Dry weather in the latter part of August enabled the Satellites to avoid serious losses threatened by heavy rain over most of Eastern Europe during the latter half of July and the first part of August. These rains endangered the small grains--wheat, rye, barley, and oats--which should have been harvested during this period, but had a beneficial

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effect on the potato, sugar beet, oilseed, corn, and hay crops.

Grain production in East Germany and Czechoslovakia will be only slightly better than 1954's below-normal level, but a more substantial increase seems likely in Poland. The increases are not expected to be large enough to meet the domestic requirements of these countries, which will remain net importers of grain in 1956. The potato, sugar beet, and hay crops should equal or exceed 1954 production in all three countries--except for the potato crop in Poland--and the better hay crop should result in an improvement in the live-stock fodder base.

The present prospects of the southern Satellite area appear slightly more favorable than last year. This is due chiefly to a sizable increase

in the production of grain in Rumania, a result of expanded acreage and larger yields. Little change is expected in the output of grain in Albania and Bulgaria, and only a moderate increase is expected in Hungary, but the production of corn, sugar beets, and potatoes in all southern Satellites except Albania should exceed 1954 levels.

While an improvement in the food supply for 1955-56 is expected in Rumania and probably in Bulgaria, little or no change is expected in Hungary and Albania. The failure of grain production to increase enough to make Hungary an exporting country again is particularly serious, as Hungary is already heavily in debt for grain purchased following last year's drought.

(Prepared by ORR)

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PART III

PATTERNS AND PERSPECTIVESIMPLICATIONS OF RECENT SOVIET POLICIES IN THE MIDDLE EAST

Recent events have made the Middle East of foremost importance in East-West relations and a subject for discussion at the foreign ministers' conference. Moscow's decision to supply Middle East states with arms and Iran's adherence to the Western-sponsored "northern tier" defense arrangement will alter the balance of power in the area. Shipment of Communist arms to the area undercuts the West's tripartite agreement of 1950. Iran's adherence to the Baghdad pact closes the gap in the "northern tier" arrangement and finalizes a Western defense scheme that the USSR has repeatedly protested against as a threat to its security.

Reaction to Turkish-Iraqi Pact

Moscow's recent steps in the Middle East may have resulted from the conclusion of the Western-sponsored Turkish-Iraqi pact last February.

There are indications that the USSR shortly thereafter made offers of aid to Syria. Approaches to Saudi Arabia, Libya, possibly Yemen, and especially Egypt, for closer ties with the Soviet bloc indicated that Moscow was approaching the most anti-Western of the Arab League states as candidates for a neutralist bloc in which Egypt, with Soviet bloc aid, would be the dominant force.

By thus hurdling the northern tier, the USSR apparently hoped to preserve opportunities for expanding its influence to the south.

The Soviet Union will probably make every effort to prevent the participants in the Baghdad pact from becoming effective links in the northern tier chain. Thus, despite its immediate reaction against Iran's adherence to the pact, the USSR probably will avoid a long-term hostile policy lest it push Tehran even closer to the West. Moscow probably will try to convince Iran--the weakest and most strategically located of the northern tier states--that the Communist threat has disappeared and that added expenditures for protection against a nonexistent enemy would be wasted.

Afghanistan, which has recently reiterated its willingness to participate in Middle East defense planning, may receive offers from the USSR in addition to the economic aid it is already receiving. The American embassy in Kabul believes the Egyptians, with or without the connivance of the USSR, may be using the prospect of receiving Communist arms to dissuade Afghanistan from joining the northern tier states. A favorable climate for further Soviet penetration exists in view of Kabul's continuing bad feeling toward Karachi and its dissatisfaction with the nature of American aid.

Effect on Tripartite Agreement

The introduction of Communist arms into Arab arsenals nullifies the objectives of the tripartite agreement of 1950 between Great Britain, France and the United States. The agreement, which was aimed at promoting peace and stability in the area, includes a

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declaration of opposition to an arms race between the Arab states and Israel.

The French ambassador in London told Foreign Minister Macmillan on 11 October that in view of the Soviet arms offer, France now is willing to relax the arms embargo against Syria and Egypt if the United States and the United Kingdom will do the same. Israel has already begun to press the United States to match the Soviet arms offers to the Arabs.

Great Britain, which has specific military commitments with Egypt, Jordan and Iraq, as well as general obligations under the Baghdad pact, regards Soviet moves--especially the offer of arms--as a serious threat to its own position. Prime Minister Eden stated on 9 September that the risk of war in the area has been intensified, and intimated that the Western powers should seek an agreement with the USSR to halt the arms race.

The British have reaffirmed their support of the tripartite declaration of 1950, and have approached Nasr in Cairo to emphasize the dangers of his acceptance of the Soviet offer.

Britain's recent encouragement of Iraq's Prime Minister Nuri Said to adopt "a more forward policy" in Syria suggests that the Foreign Office now intends to strengthen its support of Iraq as a counterbalance to Egyptian and Soviet influence among the Arab nations.

According to the British ambassador in Tripoli, Britain

may be preparing to give Libya more arms assistance than it has in the past.

In the case of the French, the present Soviet policy will have unfavorable implications. French policy in the area has been motivated by a desire to preserve weak disunited states amenable to French pressures. France is particularly sensitive to any changes affecting the status of Syria. Its policy toward the other Arab states, particularly Egypt, is primarily conditioned by its attitudes toward North African affairs. Paris will have to face the possibility that Soviet arms shipments, especially to Egypt, will result in additional arms becoming available to North African nationalists.

Foreign Ministers' Meeting

There have been several indications that the USSR may broach the subject of the Middle East with the Western powers, possibly at the foreign ministers' meeting this month. Bulganin and Molotov have publicly indicated the importance the USSR attaches to maintaining neutrality in the area and have stated that Moscow not only will respect such a course but is prepared, in conjunction with other countries, to participate in a guarantee of this neutrality.

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If Moscow does elect to broach the subject at this time,

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it may offer the West the alternative of participating in an agreement with the USSR which would guarantee the neutrality of the area, or of facing a continuation of the Soviet offensive

in competition with the Western powers.

Moscow probably believes that it stands to gain in either case. [redacted]

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SATELLITES ACT TO IMPROVE RELATIONS WITH UNITED STATES

Since the Geneva conference, the European Satellites have demonstrated a strong interest in improving diplomatic, cultural, and economic relations with the West, and particularly with the United States. At the same time, they have publicly taken the position that the United States should reciprocate these gestures by moderating its "antagonistic" policy toward the Soviet bloc.

These actions undoubtedly stem from a desire to impress the West with the Soviet bloc's adherence to the "Geneva spirit," and are intended to reduce Western opposition to the Eastern European regimes. The Satellites probably also hope that "normalizing" relations with the United States will permit them to increase trade with the West, obtain American trade credits, and benefit from American technical and economic experience by developing an exchange of technical delegations and information with the United States.

Moves on Outstanding Problems

Rumania is apparently preparing to take steps to settle some long-standing problems which have been a major factor in its poor relations with the United States. Rumanian deputy foreign minister Preoteasa told

the American chargé d'affaires in Bucharest on 23 September that the Rumanian government was considering granting long-denied visas to a number of the 371 American citizens and dual nationals in Rumania.

Professor Mihai Rosianu, deputy minister of culture and a member of the Workers Party central committee, mentioned [redacted]

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that the United States Information Service reading room, closed by Rumanian action in 1950, might be reopened. He admitted that Rumania and the United States might be "equally at fault" for the poor relations between the two countries, and said his government would welcome visits by prominent Americans in all fields. This latter gesture apparently was made in hopes of sharing American technical experience.

Hungary, Poland, and Czechoslovakia have also proposed negotiating outstanding problems. Hungary's suggestion that each side submit a list of questions it wished to negotiate was apparently made to facilitate obtaining long-term credits for the purchase of American foodstuffs and consumer goods. Hungarian trade officials have unofficially approached American businessmen on this subject in recent months.

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Poland and Czechoslovakia have indicated a willingness to negotiate the settlement of long-standing American claims for compensation for nationalized property and postwar loans and surplus property sales. An official of the Polish Foreign Ministry recently told the American ambassador in Warsaw that he hoped the "relaxation" brought about by the Geneva conference would result in a reduction in American trade barriers and so permit Poland to use exports to pay its debts to the United States.

Reception of Western Visitors

While there has been no consistent Satellite policy toward visiting American senators and congressmen, newsmen and businessmen, several of them have been received and interviewed by certain high-level Satellite leaders. The Communists have tried to use such meetings to further their aim of strengthening relations with the United States.

Hungarian party leader Rakosi joined Premier Hegedus in granting an unprecedented hour-long interview to Senator Estes Kefauver on 19 September during which he frankly spoke of outstanding difficulties and expressed the hope that these could be settled and trade expanded.

In early September, three American senators were given the "red-carpet" treatment by Polish authorities and permitted to visit parts of Poland hitherto inaccessible to Westerners. A Polish Foreign Ministry official proposed to the American ambassador in August that an American newsman be permanently assigned to Warsaw. There has been no permanent American news correspondent in Eastern Europe since the arrest of William Oatis in 1951.

The Rumanian president and the foreign minister received four American senators and congressmen in September and

conducted them on tours of collective farms and factories.

Propaganda

Anti-American propaganda in the Satellite press and radio broadcasts has remained at a low level since the sharp reduction at the beginning of the Geneva conference. On 25 September, the official Hungarian party newspaper published the text of the congratulatory telegram sent by the Hungarian minister of foreign affairs to Secretary of State Dulles on the tenth anniversary of the re-establishment of diplomatic relations. The government also issued a circular instruction to the chiefs of its diplomatic missions abroad directing them to deliver copies of the telegram personally to their local American colleagues.

The Satellites have continued, however, to accuse the United States publicly of maintaining an "antagonistic" policy of restricting trade with Eastern Europe, of preventing Hungary, Rumania, and Bulgaria from entering the United Nations, of interfering in internal Satellite affairs, of maintaining relations with "treacherous" Satellite refugee organizations, and of continuing to flood the Satellites with anti-Communist propaganda.

The Hungarian government has been particularly persistent in its official protests to the United States for its efforts to force Hungary to stop harassing the American legation in Budapest.

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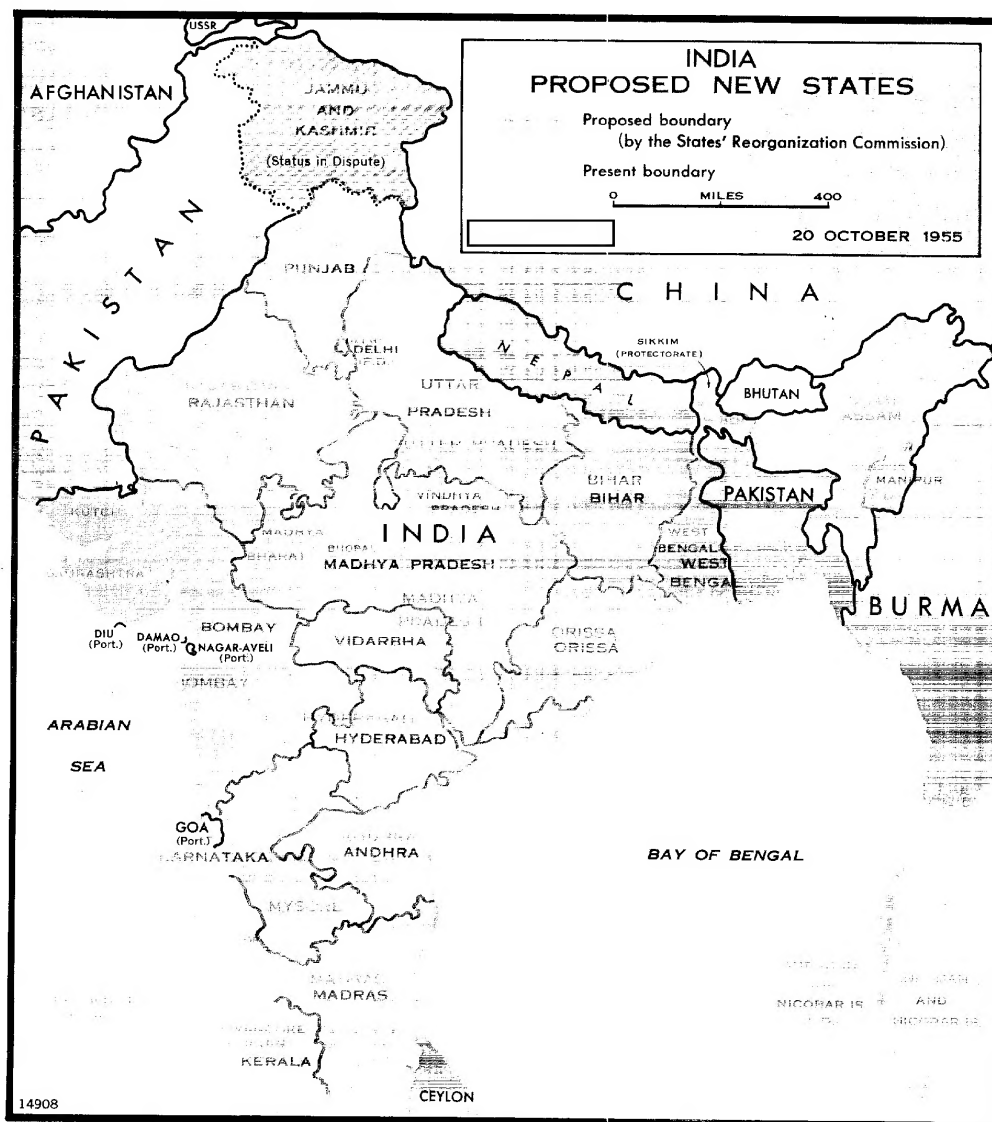
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INDIA FACES PROBLEMS IN REORGANIZING STATES ALONG LINGUISTIC LINES

The proposed reorganization of the Indian states along linguistic lines will create such legal and administrative problems for the government that New Delhi will probably create only a few states in the coming year and postpone the complete reorganization until after the national elections of December 1956.

The Proposal

The States' Reorganization Commission has recommended the reorganization of the existing 27 states into 16 of equal constitutional status and the continuation of three small areas as centrally administered units. The proposal meets the demands of most of the language groups



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and would simplify the administration of the country and reduce costs. Prime Minister Nehru has said he considers the fulfillment of the plan a test of Congress Party as well as national discipline.

The states which might not present much difficulty are three of the four major states of India--Uttar Pradesh, West Bengal and Madras--which would undergo little change of boundary. Bombay, the fourth major state, which is to include both Gujarati and Marathi-speaking peoples, to the disappointment of the latter, is under the firm control of Morarji Desai. Since he is one of India's ablest administrators, there should be little trouble in incorporating Bombay's new areas.

Difficulties Involved

The legal and administrative hurdles involved in effecting the reorganization before the elections are formidable. Several changes in the Indian constitution will be necessary to overcome legal problems. Administrative complications include a reapportionment of the states' assets and liabilities, reorganization of the civil service and of the judiciary, a reassessment of schemes for the second Five-Year Plan, which commences in April 1956, and a new delimitation of election constituencies.

In addition, the reshuffle might necessitate reorganization of most of the Congress Party's provincial committees, causing rivalries for office among present job holders. It would also complicate evaluating the success of the first Five-Year Plan under the present state setups and would change the programs and financial targets of the states under the second Five-Year Plan. This would

hamper the search for funds for the second plan and cause a major orientation in thinking on the role of the states in the plan.

The gains accruing to the government if the reorganization is carried out before the elections do not appear to outweigh the difficulties and confusion such a reorganization would produce.

The Naga tribesmen of Assam and the Sikhs of the Punjab, both of whom have been agitating for autonomy, can be expected to cause further trouble. The people of the small state of Coorg in south India were overwhelmingly against being included in the new state of Karnataka, and some disorders may occur in that region. The commission's report recognizes that the former Communist stronghold of Telengana, in eastern Hyderabad, should not be united with Andhra, where the Communists are also strong, until after the 1961 elections. Telengana will, therefore, remain all that is left of the present Hyderabad state.

The Congress Party is at present engrossed in revitalizing its own organization in preparation for the elections and is also occupied with the second Five-Year Plan. Therefore, carrying out the states' reorganization recommendations would add new burdens to a government already heavily burdened in a pre-election year.

The government is emphasizing quick implementation of the commission's report for the effect this would have on public opinion. Actually, New Delhi is more likely to create only a few of the "safest" new states prior to the elections and to delay complete enactment until after the 1956 elections.

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